

**MINUTES OF MEETING OF BOARD OF TRUSTEES OF THE  
CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND**

**June 26, 2014**

**City Council's Conference Room/Tenth Floor**

**9:00 a.m.**

1. Roll Call: JoAnn Armstrong (X), Bill Eastburn (X), Art Gudikunst (X), Philip Hatchett (X), Frank James (X), Bobby Lanier (X), Robert Lee ( ), Kimberly Powell (X), Richard Wuska (X).

Rich Caplan (X), Marty Eubank ( ), Bill Keeler (X),  
Cathy Matthews (X), Tom Mitchell (X),  
Tonya O'Connell (X), Kimberly Jackson (X)

Others present: Cindy Rohlf, Assistant City Manager  
Retirees (4)

2. Call to Order.

Mr. James called the Retirement Board meeting to order at 9:05 a.m. on June 26, 2014 in the City Council's Conference Room, 10<sup>th</sup> Floor.

3. Minutes of Meeting of May 29, 2014:

The minutes were approved as submitted.

4. Committee on Investments:

- a. Assets as of May 31, 2014:

Pension	\$838,956,514
Post Retirement	<u>26,031,620</u>
Total	<u>\$864,988,134</u>

Mr. Gudikunst reported that the Pension Fund balance at the end of May was \$838 million compared to \$832 million at the end of April and \$780 million one year earlier.

He noted that the City Council approved the Board's recommendation to change the City Code to increase the limit on investments in equities from the current 65% to 75%, to allow equity investments in private companies as well as publicly traded companies, and allow for investments in the debt of, or make direct loans to, political subdivisions of the Commonwealth.

It was also reported that Rich Dahab of Dahab & Associates will continue the search for private equity and real estate-direct investment opportunities and report back to the Committee at the next meeting.

5. Committee on Administration:

Mr. Hatchett discussed with the Board the option of having documentation for meetings transmitted electronically and computers equipped with the software that will allow the electronic transfer of Board and Committee on Investments minutes. He recommended that the Committee consult with the City Attorney's Office pertaining to any legal matters (e.g., HIPAA, etc.).

*Approved Upon motion duly made and seconded, the Board unanimously agreed to recommend to the Committee on Administration and staff to review the request to have documentation for meetings sent electronically and computers equipped with the software that will allow the electronic transfer of Board and Committee on Investments minutes, and involve the City Attorney to address any legal matters.*

6. Disability Review Committee:

a. June 11, 2014 meeting

The Committee had a Closed Session meeting on June 11, 2014 to discuss case #506011. The Committee unanimously agreed to recommend to the Board that the retiree continue to receive the partial disability awarded in 2000 under Section 31-59 (e) (Annual review of disability receipts) and Section 31-58 (b) (Occupational and non-occupational partial disability benefits).

b. June 26, 2014 meeting

The Committee had a Closed Session meeting on June 26, 2014 to review case #506011. Erroneous information was provided at the June 11, 2014 meeting, reflecting that the retiree was a recipient of partial disability benefits. The corrected information was provided to the Committee at the meeting of June 26<sup>th</sup> which indicated that the retiree was previously awarded a 100% total occupational disability retirement based on receiving a social security disability award in 2000. The Committee unanimously recommended retracting its recommendation from the June 11, 2014 meeting in order to consider the corrected information concerning the retiree's benefits, and to further evaluate the case.

No action was required by the Board.

7. Benefits & Welfare Committee:

The Committee on Investments will meet on June 26<sup>th</sup> directly after the Retirement Board meeting. The Committee will discuss the GASB exposure drafts for OPEB and other issues about OPEB, including postemployment benefits for pre 65 retirees.

8. Old Business:

The Chairman of the Retirement Board thanked the Board and Committee members for all their dedicated hard work and gave an overview of the Board and Committees' accomplishments for the fiscal year and reviewed the outstanding projects for calendar year 2014:

**Committee on Investments (IC)** – agreed on a revision to the asset allocation model, and recommended changes to the Investment Policy, which were unanimously approved at the June 24, 2014 City Council meeting.

He noted that the Board looks forward to hearing from the IC about the implementation of the new model with the additional asset options, and progress toward a passive strategy for a portion of the Fund.

**Disability Review Committee**— made good progress toward the revision of the disability application and review process, and he indicated that the Board looks forward to the completion of the important project.

**Committee on Administration** - conducted a formal RFP process for the Fund's Investment Consultant. Mr. James noted that it was a learning experience as the Board and Committee members had exposure to the current investment thinking of some of the best investment consultants in the country. The formal process, which included interviewing six well-qualified candidates, resulted in the continuation of the Board's relationship with Rich Dahab of Dahab and Associates. Additionally, it was noted that the Fund has had a 9.4% annual return over the past 26 years.

**Benefits and Welfare Committee**— the Committee has been tasked with reviewing health care offerings for the City's working age retirees. Mr. James announced that there are about 622 pre-65 retirees who pay a portion of the premium for their health care, and the employee's portion has steadily risen to the point where it is difficult for many to afford.

Also, the Committee will be taking a look at the impact of the proposed GASB regulations for OPEB funds as well.

Mr. James gave an update on the combined Funds totals – Pension and OPEB. At May 30, 2014, the total of the Funds was \$865 million. At May 31, 2013, they were \$802 million, an increase of \$63 million.

He acknowledged the long hours that all of the appointed members had put in during the past six months, and the commitment each member had made to attend meetings, many unscheduled, to take phone calls, and simply work hard for the City and its employees.

9. New Business:

a. Comments from retirees

Retiree Tom Murphy submitted a memo to the Board regarding Code Section 31-55. Post Retirement Increases in Benefits. He asked the Members to review the memo and address his concerns about the current calculation of the Cost of Living Adjustment.

The Board thanked Mr. Murphy for his input. Mr. Mitchell explained that the change in the computation of the COLA was one of five changes **adopted as a package** by City Council in December, 2012 which significantly decreased the Unfunded Liability of the Fund. It was suggested that Mr. Murphy's memo be submitted to the Committee on Administration for review.

*Approved Upon motion duly made and seconded, the Board unanimously agreed to ask the Committee on Administration to review Mr. Murphy's memo and address his concerns, confer with the actuary about the impact to the Fund from COLA increases, and report its finding to the Board.*

Retiree Ricardo Jones asked the Board how the Fund calculated the July 1, 2014 COLA. It was explained that it was computed as specified in the Code and the calculation was reviewed and approved by the Retirement Board.

- b. Mr. Lee and Mr. Eubank asked to be excused due to a prior commitment.
- c. **July Board meeting will be Thursday, July 31, 2014.**

10. Adjournment:

There being no more business to come before the Board, the meeting adjourned at 9:50 a.m.

A true copy, attest:

A handwritten signature in blue ink that reads "Tom Mitchell". The signature is written in a cursive, flowing style.

Tom Mitchell, Secretary  
Board of Trustees